



Rent Stabilization Board

## **RENT STABILIZATION BOARD**

DATE: March 20, 2017

TO: Honorable Members of the Berkeley Rent Board

FROM: Commissioners Igor Tregub and Leah Simon-Weisberg

SUBJECT: Recommendation to Endorse Assembly Bill (AB) 1506, AB 71, and Senate Bill 2

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### **RECOMMENDATION**

That the Berkeley Rent Board endorse Assembly Bill (AB) 1506 – Repeal of Costa-Hawkins Act; AB 71 – Repeal of Tax Deduction for Second Homes; and SB 2 – Real Estate Recordation Fee.

### **FISCAL IMPACTS OF RECOMMENDATION**

Minimal Staff Time

### **BACKGROUND**

AB 1506 (Bonita) would repeal the Costa-Hawkins Act (Section 1954.50 of Title 5 of Part 4 of Division 3 of the Civil Code). According to the City Attorney of Fremont: “As early as 1976, the California Supreme Court upheld the authority of cities to adopt rent control under their police power granted in the State Constitution. That authority was limited by the State Legislature in 1995 by the Costa-Hawkins Rental Housing Act (“Costa-Hawkins”). Under Costa-Hawkins, rent control cannot be applied to units built after February 1, 1995. Costa-Hawkins also exempts single family homes, condominiums, and rental properties with less than two units. As to rental units constructed prior to 1995, Costa-Hawkins prohibits “vacancy control”. In other words, where a rent control ordinance is in place, rent-controlled units by law become temporarily uncontrolled when a tenant moves out, and property owners can reset/increase rents at that time without any limitations. Once a new tenant occupies the vacant unit, however, the unit again becomes subject to an existing rent control ordinance.” This bill is cosponsored by Assembly Members Bloom and Chiu and Senator Allen. More information is available at [https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill\\_id=201720180AB1506](https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180AB1506) .

AB 71 (Chiu) is an enduring funding source to expand rental housing opportunities for California’s most cost-burdened residents by, beginning in Calendar Year 2018, increasing the total amount of California Low Income Housing Tax Credit dollars available to low-income housing projects to \$300 Million, with

\$500,000 per year of that amount set aside to finance farmworker housing projects. Revenues to cover this would be raised by disallowing a deduction for mortgage interest from the expenses used in calculating taxable income from a taxpayer's second residence (commonly known as vacation homes). This bill was introduced by Bay Area Assembly Member Chiu and is coauthored by Bay Area Assembly Members Bonta, Kalra and Ting. More information is available at [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180AB71](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180AB71).

SB 2 (Atkins) would create an enduring funding source that allows that state to live within its means while creating additional housing opportunities. By creating a modest \$75 document recording fee on real estate transactions – excluding property sales and capped at \$225 – SB 2 would increase the supply of affordable homes, create jobs, and promote economic growth without incurring additional debt. The HAC previously recommended for endorsement and the City Council endorsed a predecessor bill to SB 2, which did not pass the legislature. Since then, to facilitate its passage, the author has responded to prior criticisms by the California Association of Realtors by excluding property sales from incurring a recording fee and by instituting a cap of \$225. This bill was introduced by Senator Atkins and is coauthored by Bay Area Senators Skinner, Wieckowski, and Weiner and Assembly Members Bonta and Thurmond. More information is available at: [https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill\\_id=201720180SB2](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201720180SB2).

### **RATIONALE FOR RECOMMENDATION**

These bills, if passed, would cumulatively lead to enhanced affordability in existing rental housing and the financing and production of additional affordable housing.